

# REPORT

ON

## THE AFFAIRS

OF THE

# Consolidated Bank of Canada,

BY THE

COMMITTEE, APPOINTED BY THE SHAREHOLDERS,

AT THE

ADJOURNED ANNUAL GENERAL MEETING.

On 23rd June, 1880.



Montreal :

PRINTED BY JOHN LOVELL & SON.

1880.



A  
332.1  
B22

REPORT  
ON  
THE AFFAIRS  
OF THE  
**Consolidated Bank of Canada,**  
BY THE  
COMMITTEE, APPOINTED BY THE SHAREHOLDERS,  
AT THE  
ADJOURNED ANNUAL GENERAL MEETING,  
On 23rd June, 1880.

---

**Montreal :**  
PRINTED BY JOHN LOVELL & SON.  
1880.



TO THE SHAREHOLDERS  
OF  
THE CONSOLIDATED BANK OF CANADA.

---

At the Adjourned Annual General Meeting of the Shareholders, held at the Banking House, on 23rd June, 1880, the following resolution was carried by a majority of 2,854 stock votes, viz. :

Moved by J. W. RITCHIE, Esq., Q.C.,

Seconded by ROBERT CASSELS, Esq., and Resolved,

"That all words in Mrs. Hollis' motion after *That* be struck out, and the following inserted :

"Robert Cassels, A. B. Stewart, and William Allan be, and hereby are appointed a Committee with authority to institute in the name of the Bank an action against those of the Directors who were in office immediately before the last Annual Meeting, and resident in Montreal, for all dividends declared by which the paid-up capital of the Bank was impaired, and also for all losses sustained by the Bank in consequence of the mal-administration of its affairs by the said Directors, with power and instruction before bringing any suit to entertain and report to an adjourned meeting of Shareholders, to be held on the 1st September next at noon, any proposition from the said Directors for a settlement of the Bank's claim against such Directors for such dividends and damages, and with power to make such investigation into the affairs of the Bank as they see fit."

The resolution does not name the date from which the investigation was expected to commence, but the general feeling of the Meeting seemed to point to the period of amalgamation of the City Bank of Montreal and the Royal Canadian Bank of Toronto. Accordingly, your Committee commenced their labors of investigation from that date.

Before entering on the details of the accounts, and working of the Bank, your Committee desire to bring under notice,

29047

## THE ORGANIZATION OF THE BANK.

This information is taken from the Minutes of the Bank, commencing with The City Bank, dated

MONTREAL, *Thursday, 27th April, 1876.*

## PRESENT :

SIR FRANCIS HINCKS, <i>President.</i>	W. W. OGILVIE.
R. J. REEKIE, <i>Vice-President.</i>	A. M. DELISLE,
JOHN GRANT.	And CASHIER.
ROBERT MOAT.	

*Inter alia.*—"The Cashier was also instructed to give notice that the transfer books would be closed on the 10th May (the date of amalgamation), that the books of the Consolidated Bank would be opened on the 1st June, and that the first General Meeting of the Shareholders of the Consolidated Bank of Canada, for the purpose of electing Directors and passing By-laws, will be held on Wednesday, the 7th June, at noon."

(Signed,) F. HINCKS, *President.*  
 " J. W. RENNY, *Cashier.*

THE CONSOLIDATED BANK OF CANADA, MONTREAL,  
*Wednesday, 10th May, 1876.*

"At a meeting of the Board of Provisional Directors (under the 7th Section of the Act 38 Vic., ch. 44) of the Consolidated Bank of Canada, held at their Banking House in the City of Montreal, the 10th day of May, A.D. 1876,

## PRESENT :

SIR FRANCIS HINCKS,	W. W. OGILVIE,
HON. A. CAMPBELL,	H. J. TIFFIN,
R. J. REEKIE,	A. M. DELISLE,
JOHN GRANT,	JOHN RANKIN,
ROBERT MOAT,	

It was moved by Mr. GRANT,  
 Seconded by Mr. DELISLE, and Resolved,

"That Sir Francis Hincks, K.C.M.G., and the Hon. Alexander Campbell, be Joint Presidents of the said Provisional Board, either of whom may act in the absence of the other: and that R. J. Reekie, Esq., be Provisional Vice-President of the said Provisional Board.

"Ordered—That Messrs. Renny (Cashier hitherto of the City Bank) and McCracken (Cashier hitherto of the Royal Canadian Bank) be appointed Provisional Joint General Managers of the said Consolidated Bank until the first Wednesday in June next, at the respective salaries hitherto enjoyed by them in their respective Banks."

Frequent changes afterwards took place in the composition of the Board of Directors, by resignation and by new appointments. Those particulars are given in the extracts which we have made from the

Minutes, and can be referred to by any of the Shareholders desirous of possessing exact information on the subject.

We may state, however, that the following members of the late Board are those whom the Shareholders hold responsible for the losses made, dividends paid out of capital, and money improperly charged to Profit and Loss Account, viz. :—

Sir Francis Hincks, Pres.	W. W. Ogilvie.
R. J. Reekie, Vice-Pres.	Hugh Mackay.
John Grant.	John Rankin.

We now proceed to review the *Condition of the Bank, the Estimates of Profit and Loss, the Capital Account, the Opinion of the President and Directors as to the Value of the Assets of the Bank, their opinion of the General Manager, their Professions of Care in the Management of the Bank, and their Zeal in its Service.*

18th May, 1876.

PRESENT :

SIR F. HINCKS, <i>President.</i>	W. W. OGILVIE.
R. J. REEKIE, <i>Vice-President.</i>	A. M. DELISLE.
JOHN GRANT.	H. J. TIFFIN.
ROBERT MOAT.	

The General Manager laid before the meeting the following statement of the business of the Bank for the past year :—

10th May, 1876.	Profit and Loss.	
Balance of Credit, Profit and Loss Account .....	\$2,480	93
Gross Profits for term ending 9th inst.....	629,435	33
	Appropriated.....	631,916 26
Expenses .....	\$159,208	27
Interest Paid .....	\$64,510	55
“ Reserved.....	48,493	31
		113,003 86
Bad and doubtful debts written off .....	85,542	96
Dividend City Bank, Dec., 1875....	\$59,632	52
“ Royal Can., Nov., 1875 ..	79,226	08
“ City Bank, May, 1876....	59,652	40
		198,511 00
Transferred to Rest Account.....	60,000	00
		616,266 09
To Cr. of Profit and Loss .....	\$15,650	17

## REST ACCOUNT.

City Bank, Montreal .....	\$130,000 00	
Royal Canadian .....	102,000 00	
		<u>\$232,000 00</u>
Balance at Credit of Profit and Loss Account .....		15,650 17
		<u>\$247,650 17</u>
(Signed,) F. HINCKS, <i>President</i> .		
Showing the Capital said to be intact of .....	\$3,477,224 00	
And Rest Account of .....	247,650 17	
		<u>\$3,724,874 17</u>
Altogether .....		

Sir Francis Hincks, in replying to a vote to himself, the Directors, and employees of the Bank, said: "*I would simply say that I cannot too strongly express my opinion as to the value of the services of the General Manager here, Mr. Renny, to whom, as I look upon it, the prosperity of the Bank is mainly due, his unremitting attention to the duties of his position is, I think, unsurpassed by any other officer of a similar institution in the Dominion. . . . I shall only say that we shall continue to discharge the duties which are assigned to us with as much zeal as is in our power.*"

26th October, 1876.

The General Manager laid before the meeting the following estimate of Profits for the half year ending 10th November, 1876.

## PRESENT :

SIR FRANCIS HINCKS, *President*.  
R. J. REEKIE, *Vice-President*.  
JOHN GRANT.  
ROBERT MOAT.

W. W. OGILVIE.  
JOHN RANKIN.  
And the GENERAL MANAGER.

Gross Profits for half year .....	\$290,337 75	
Deduct—Expenses .....	\$87,540 78	
“ Reserved Interest .....	50,776 96	
“ Losses during current half year .....	18,785 92	
		<u>157,103 66</u>
		133,234 09
Add—Balance of Profit and Loss Account .....		15,650 17
		<u>148,884 26</u>
Deduct—Appropriations for previous years not sufficiently provided for .....		24,507 90
		<u>\$124,376 36</u>

The Directors resolved to declare a dividend of three and a half per cent for the current half year, and instructed the General Manager to give the usual notice to the Shareholders.



19th April, 1877.

## PRESENT :

SIR F. HINCKS, *President.*R. J. REEKIE, *Vice-President.*

JOHN GRANT.

W. W. OGILVIE.

HUGH MACKAY.

JOHN RANKIN.

R. H. STEPHENS.

H. MCLENNAN.

And the GENERAL MANAGER.

The General Manager laid before the meeting the following estimate of Profits for the half year ending 10th May :

Balance at Credit of Profit and Loss Account at 10th Nov., 1876.		\$94 43
Gross Profits for 6 months ending 10th May, 1877.	\$313,363 34	
Interest accrued on Credit Valley Railway and Laid-law debts .....	28,392 99	
		<u>341,756 33</u>
		341,850 76
<i>Deduct</i> —Interest accrued and paid in addition to amount reserved, 10th Nov., 1876 ...	34,967 28	
“ Interest reserved .....	56,719 72	
“ Expenses for 6 months .....	95,326 76	
		<u>187,013 76</u>
Net Profit .....		154,837 00
<i>Less</i> —Bad and Doubtful Debts .....	40,951 78	
“ Preliminary Expenses .....	10,122 90	
		<u>51,074 68</u>
		<u>\$103,762 32</u>

The Directors resolved to declare a dividend of three per cent. for the current half year, and instructed the General Manager to give the usual notice to the Shareholders.

(Signed,) F. HINCKS, *President.*

The Capital was then said to be intact of .....	\$3,465,910 00
And Rest of .....	245,723 33
	<u>3,711,633 33</u>
Altogether .....	<u>\$3,711,633 33</u>

29th October, 1877.

The General Manager laid before the meeting the following estimate of Profits for the half year ending 10th November, 1877.

## ESTIMATE OF PROFITS.

Gross Profits to 10th November, 1877 .....	\$332,790 87
<i>Deduct</i> —Accrued Interest Paid .....	\$24,405 68
“ Reserved Interest .....	68,437 63
“ Expenses .....	89,894 43
	<u>182,737 74</u>
	<u>\$150,053 13</u>

<i>Deduct</i> —Losses for current 6 months .....	\$ 9,294 51
	<u>140,758 62</u>
<i>Add</i> —Balance at Credit of Profit and Loss, 10th May, 1877.....	13,723 33
	<u>154,481 95</u>
<i>Deduct</i> —Proportion of Old Losses not sufficiently provided for (\$34,370 83), say two-thirds .....	22,913 89
	<u>\$131,568 06</u>

The Directors resolved to declare a dividend of three and a half per cent. (\$121,315 18) for the current half year, and instructed the General Manager to give the usual notice to the Shareholders.

(Signed,) F. HINCKS, *President*.

At this time, when the Directors declared a dividend of three and a half per cent. for the current half year, payable on 1st December, 1877, they had borrowed from other Banks, at from  $\frac{4}{5}$  to 6 per cent. per annum, the large sum of \$491,360. Besides which, the Bank held large amounts of very doubtful paper, and had heavy overdrawn accounts of doubtful character.

22nd April, 1878.

PRESENT :

SIR F. HINCKS, <i>President</i> .	HUGH MACKAY.
R. J. REEKIE, <i>Vice-President</i> .	JOHN RANKIN.
JOHN GRANT.	And the GENERAL MANAGER.
W. W. OGILVIE.	

The General Manager laid before the meeting the following estimate of Profits for half year ending 10th May next.

ESTIMATE OF PROFITS.

Balance at Credit of Profit and Loss Account at 10th Nov., 1877..	\$14,341 87
Gross Profits for 6 months ending 10th May, 1878.....	<u>327,666 95</u>
	\$342,008 82
<i>Deduct</i> —Interest accrued and paid in addition to amount reserved 10th Nov., 1877...	\$28,732 36
“ Reserved Interest.....	66,805 34
“ Expenses of Management for 6 months...	<u>83,830 35</u>
	179,368 05
	<u>\$162,640 77</u>
Net Profit.....	\$162,640 77
Less 3 per cent. on \$3,466,520 .....	<u>103,995 60</u>
	58,645 17
<i>Deduct</i> Losses.....	<u>53,242 64</u>
Balance of Profit and Loss, say.....	<u>\$5,402 53</u>

The Directors resolved to declare a dividend of three per cent. (\$104,020 60) for the current half year, and instructed the General Manager to give the usual notice to the Shareholders.

(Signed,) F. HINCKS, *President*.

At this time, when the Directors declared a dividend of three per cent. per annum for the current half-year, and before it was done—viz., on 1st June, 1878—they had borrowed from other Banks, at from 5 to 6 per cent. per annum, the large sum of \$488,597, in addition to the sum previously reported of \$491,360; and on 1st June, the day the dividend was payable, they borrowed the further sum of \$100,000, at 6 and 5 per cent. per annum.

20th May, 1878.

PRESENT :

SIR F. HINCKS, *President*.

HUGH MACKAY.

R. J. REEKIE, *Vice-President*.

JOHN RANKIN.

JOHN GRANT.

And the GENERAL MANAGER.

W. W. OGILVIE.

The General Manager submitted the following statement of Profit and Loss Account.

THE CONSOLIDATED BANK OF CANADA PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 10TH MAY, 1878.		
Balance of Profit and Loss Account, 10th May, 1877.....		\$13,723 33
Gross Profits for year ended 10th May, 1878 .....		665,976 55
	Appropriated.....	\$679,699 88
Interest Paid.....	\$118,937 77	
Reserved Interest.....	63,653 25	
Expenses.....	174,120 01	
	356,711 03	
Dividend, 1st December, 1877 .....	121,315 18	
“ payable 1st June, 1878.....	104,020 60	
Bad Debts .....	\$107,325 94	
Less transferred from Suspense Profit Account .....	19,466 66	
	87,859 28	
		669,906 09
		<u>\$9,793 79</u>

Memorandum :

Expenses for year ended 10th May, 1877.....	\$188,544 97
Expenses for year ended 10th May, 1878 .....	\$174,120 01
Less Expenses at St. Hyacinthe .....	2,360 48
	<u>171,759 53</u>
Reduction .....	<u>\$16,782 44</u>

(Signed,) F. HINCKS, *President*.

The Capital was then said to be intact of.....\$3,467,352 67  
And Rest of.....241,793 79

Altogether.....\$3,709,146 46

24th October, 1878.

## PRESENT :

SIR F. HINCKS, *President.*R. J. REEKIE, *Vice-President.*

JOHN GRANT.

W. W. OGILVIE.

HUGH MACKAY.

JOHN RANKIN.

And the GENERAL MANAGER.

The General Manager laid before the meeting the following estimate of Profits for the half year ending 10th November next :

*Estimate.*

Gross Profits to 10th November, 1878.....	\$341,148 78
<i>Deduct</i> —Accrued Interest paid.....	\$17,539 64
Reserved Interest.....	95,246 19
Expenses.....	86,853 39
	<hr/> 199,639 22
	141,509 56
Losses for current 6 months.....	<hr/> 17,348 92
Add.....	124,160 64
Balance of Profit and Loss, 10th May, 1878.....	<hr/> 9,793 79
	133,954 43
<i>Deduct</i> —Proportion of old Losses, not sufficiently provided for, say one half (\$45,465 31).....	<hr/> 22,765 31
	<hr/> \$111,189 12
Balance of Profit and Loss.....	\$111,189 12
Less dividend on \$3,468,285 at 3 per cent.....	<hr/> 104,048 55
	<hr/> \$ 7,140 57

The Directors resolved to declare a dividend of 3 per cent. (\$104,145 30) for the current half year, and instructed the General Manager to give the usual notice to the Shareholders.

(Signed,) R. J. REEKIE, *Vice-President.*

At this time, and before the dividend was paid which the Directors declared at the Meeting of the Board on 24th October, 1878, they had borrowed from other banks at from 5 per cent. to 7 per cent. per annum the large sum of \$905,772 within the six months, in addition to the two sums of \$491,360 and \$488,597 previously reported, and the same day the dividend was due, viz.: 2nd December, 1878, they borrowed the further sum of \$75,000 from the Stadacona Bank. In addition to which, the amount of doubtful paper under discount, and overdrawn accounts, continued to steadily increase.

24th April, 1879.

## PRESENT :

SIR F. HINCKS, *President*.  
JOHN GRANT.  
W. W. OGILVIE.

HUGH MACKAY.  
JOHN RANKIN.  
And the GENERAL MANAGER.

The Directors being unable to declare a dividend, the following Circular to the Shareholders was adopted unanimously (see Circular to the Shareholders, dated Montreal, 28th April, 1879), in which Sir Francis Hincks, for the Directors, says :

"I regret to inform you that, owing to the serious losses which this Bank in common with similar institutions has recently sustained, the Directors find themselves unable to declare a dividend for the current 6 months; and I am further directed to state that, after a careful examination and valuation of all the assets of the Bank, including the business premises and securities for past due debts, in which the shrinkage in value has been considerable, the Directors are of opinion that, in the interest of the Shareholders, and with a view of securing an early resumption of dividends, it will be expedient to reduce the capital stock of the Bank.

"The Directors will thereby be enabled to set aside a fund sufficient, not only to meet all ascertained losses, and to provide for any that may occur in connection with current loans, but also to create an adequate rest.

(Signed,) F. HINCKS, *President*.

It will be specially noticed by the Shareholders, that no estimate of profit and loss was laid before the Board by the General Manager, as had invariably been the case on previous occasions, or if laid before the meeting, it was not incorporated in the minutes.

Why this was omitted it is impossible for us to say, but the question may be asked, on what facts or statements did the Directors base their action in withholding a dividend? We fear the facts were only too well known to them; as from this period, the descent towards ruin and bankruptcy was rapid.

5th May, 1879.

## PRESENT :

R. J. REEKIE, *Vice-President*.  
JOHN GRANT.  
JOHN RANKIN.

HUGH MACKAY.  
W. W. OGILVIE.  
And the GENERAL MANAGER.

The Board authorized the presentation of a petition to the Legislature for leave to apply, by private bill, for a reduction of the capital to 66 2-3 per cent., and they approved of the action of the President in proceeding to Ottawa to endeavor to get such bill passed.

(Signed,) R. J. REEKIE, *Vice-President*.

19th May, 1879.

## PRESENT :

SIR F. HINCKS, *President*.  
R. J. REEKIE, *Vice-President*.  
JOHN GRANT.  
W. W. OGILVIE.

HUGH MACKAY.  
JOHN RANKIN.  
And the GENERAL MANAGER.

The Annual Profit and Loss and General Statements were laid before the Meeting, and ordered to be printed and sent to the Shareholders.

See Report of Annual General Meeting of 4th June, 1879.

Showing the Capital to be.....	\$3,471,936 70
Less at Debit of Profit and Loss.....	450,892 17
Leaving.....	\$3,021,044 17

2nd June, 1879.

PRESENT :

SIR F. HINCKS, *President*.  
R. J. REEKIE, *Vice-President*.  
JOHN GRANT.

W. W. OGILVIE.  
JOHN RANKIN.  
And the GENERAL MANAGER.

The Directors after *due consideration* of the affairs of the Bank were of opinion that the maximum reduction of capital which it would be necessary to seek would be  $33\frac{1}{3}$  per cent., but as it was deemed advisable by the Select Committee to which the Bill was referred for consideration, in view of the continued depression of business, to recommend a reduction of 40 per cent. instead of  $33\frac{1}{3}$ , they did not deem it expedient to abandon the bill, and if it should receive, as they confidently anticipate that it will, the sanction of the Shareholders, the surplus will be as shown in the statement submitted herewith, \$943,707 47.

15th July, 1879.

The following Circular was approved by the Board :

"The Board of Directors of the Consolidated Bank feel it to be their duty to respond to the numerous appeals on behalf of the Shareholders to acquaint them at the earliest possible moment with the actual value of the assets of the Bank at the present time, without entering into minute details, which it must be obvious could not be published without detriment to the interests of the Shareholders. *The result of a careful investigation* has been to satisfy the Directors that, after making ample allowance for some heavy anticipated bad debts, *the assets of the Bank are good value for an amount ranging from \$1,250,000 to \$1,500,000, or from 60 to 75 per cent. of the present par value of the stock.* The valuation has been made with an earnest desire not to place an exaggerated value on the assets, and a sufficient margin has been taken to cover possible unforeseen losses. *The present estimate is concurred in by the Acting General Manager and by all the Directors.* The large addition which has been made to the losses has been owing to what the Board are now convinced was a very erroneous estimate made at the close of the last year of the assets at the Head Office by the late General Manager.

Without entering at present into details, the publication of which might be injurious to the interests of the Shareholders, the former Board of Directors maintain that they will at a proper time be able to exonerate themselves from any charge of mismanagement.

(Signed,) F. HINCKS, *President*.

18th July, 1879.

PRESENT :

SIR F. HINCKS, *President*.  
JOHN GRANT.  
A. ROBERTSON.

A. SAUNDERS.  
W. W. OGILVIE.

Having been requested to receive a deputation from some of the Montreal Shareholders to discuss the position of the Bank, a deputation, consisting of Messrs. J. H. Joseph, E. Bond and Rev. Mr. Green, was received and heard. A statement shewing the estimate of losses sustained by the Bank was submitted to them, which was as follows :

MONTREAL, 18th July, 1879.

The President and Directors of the Consolidated Bank, Montreal.

GENTLEMEN,—I beg to state the result of investigation into the accounts of this Bank.

The reduced Capital amounts to.....	\$2,080,000	
Add balance of present Contingent Account.....	943,000	
		<u>\$3,023,000</u>
From this has to be deducted for bad and doubtful debts.....	\$1,420,000	
Balance to Contingent Account.....	253,000	<u>1,673,000</u>
Leaving a surplus or Capital of.....	1,350,000	
In addition to the Contingent Account of.....	253,000	

It is proper that I should remark that the foregoing valuations are based on estimates of the assets of the Bank made by three parties acting independently, two of whom are the new Directors, Messrs. Robertson and Saunders, and in which I myself concur. The result being that the actual assets of the Bank are equal to nearly 65 per cent. on the reduced capital.

Yours respectfully,

(Signed,) ARCH. CAMPBELL, *Acting General Manager*.  
(Signed,) Approved, F. HINCKS, *President*.

1st August, 1879.

PRESENT :

SIR F. HINCKS.  
R. J. REEKIE.

JOHN GRANT.

The Acting General Manager reported to the Board that, after consulting with the President and such of the Directors as he was able to see yesterday, he had decided to abandon the attempt to continue cash payments of the liabilities of the Bank.

The various statements made by the Directors from time to time of the value of the assets, and which we have carefully given to show the downward progress, have been found entirely incorrect and illusory, notwithstanding the declaration on 2nd

June, 1879, made after "due consideration;" the statement of 15th July, 1879, "the result of a careful investigation," and the letter of 18th July, 1879, stating that "the foregoing valuations are based on estimates of the assets of the Bank made by three parties acting independently."

The last, and probably the only, reliable estimate yet obtained is that furnished by the Acting General Manager, under date of 28th May, 1880, showing the Liabilities to be .....		\$474,581	91
Assets ... ..		1,063,578	52
Leaving a probable surplus of .....		\$588,996	61

Taking the Capital and Reserve with which the Bank commenced business on 10th May, 1876.....		\$3,724,874	17
And deducting the above probable surplus of.....		588,996	61
The total loss in less than four years is.....		\$3,135,877	56

This enormous loss has arisen from bad debts made at the Branches and the Head Office, and may be classified as follows:

At Belleville.....	\$52,946	At St. Catharines ....	105,400
" Chatham .....	32,496	" Wingham.....	1,416
" Clinton.....	233	" Berlin .....	178
" Galt.....	1,525	" New Market.....	12,347
" Hamilton .....	124,858	" Norwich .....	804
" New Hamburg... ..	1,366	" Woodstock .....	200
" St. Hyacinthe....	600	" Toronto.....	561,373
" Seaforth.....	115,431		
" Sherbrooke.....	33,445		\$1,044,618

The losses at Montreal were so numerous that we shall classify them in different sums, only giving the names of a few of the more remarkable accounts, which are now historically known in connection with this unfortunate Bank.

In sums of and under \$1,000.....	\$14,453
" " over \$1,000 and under \$2,000 .....	11,647
" " " 2,000 " 3,000.....	26,355
" " " 3,000 " 4,000.....	18,658
" " " 4,000 " 5,000.....	31,234
" " " 5,000 " 6,000.....	15,884
" " " 6,000 " 7,000.....	6,673
" " " 8,000 " 9,000.....	8,500
" " " 9,000 " 11,000.....	58,946
	\$192,350

Ascher & Co.....	\$501,850
Beattie H. & Co.....	94,849
Cowpar, George.....	20,114
Cushing & Co., C. Cushing, L. Cushing & Son.....	65,080



Davidson Bros. & Co.....	\$64,221	
S. Davis & Co., in liq.....	23,000	
Fish, Shepherd & Co.....	120,355	
B. Furniss & Co.....	146,242	
R. Forsyth.....	38,000	
W. Head.....	48,518	
M. Kortosk & Co.....	82,885	
Mulholland & Baker.....	146,876	
T. F. O'Brien.....	141,840	
W. H. Riley.....	65,000	
William Rhind.....	15,000	
Shultze, Reinhardt & Co.....	26,283	
		<u>\$1,600,113</u>

*Sundries, viz. :*

Interest suspense account.....	19,467	
Bank Premises.....	25,000	
Loss on Mechanics and forged notes.....	2,253	
R. C. Bank, Old P.D.B.....	16,086	
H. & B. Mortgage.....	17,000	
Harvey Hill Property.....	59,742	
Loss on Corn, Cowpar.....	52,000	
		<u>191,548</u>
Loss on Syndicates.....	65,091	
Expenses, Interest, &c., say.....	42,157	
		<u>2,091,259</u>
Total loss.....		<u>\$3,135,877</u>

We have thus given at great length, but not, we think, without advantage to the clear understanding of the affairs of the Bank, full statements of the opinions of the Directors as to the value of the assets, estimates of profit and loss, and management of the business, from the time of the amalgamation of the City and Royal Canadian Banks on 10th May, 1876, together with statement of losses. We shall now proceed to show the manner in which the business was conducted, and the means at the command of the Directors for ascertaining and becoming thoroughly acquainted with the true and real condition of the Bank.

We have their own statements, through their mouth-piece, Sir Francis Hincks, in which they have informed the Shareholders that they were systematically deceived by Mr. Renny, the late General Manager of the Bank. Thus on 7th July, 1879, in a minute of the Board, Sir Francis Hincks says: "But without going into details, "I simply wish to place on record that to Mr. Renny's *systematic* "concealment from the President and Directors of his operations is to

"be attributed those losses which he admits in his letter to be "inevitable."

And again, in a minute of *16th September, 1879*, he says: "The "liability ledgers which were from time to time examined by the "Board, and from which the statements of liabilities were made, "*were so kept as to render it impossible for the Board to form any "idea as to the aggregate liability of the customers."*

We can only state, that we have carefully examined the Liability Ledgers, and have found that they were correctly kept, exhibiting the various accounts in a perfectly business-like manner, giving details of bills discounted from day to day, and showing the balance under discount of each account.

We have found no ledger for liabilities of sterling bills of exchange purchased, but the amount running, which was not large at any time, could easily have been seen by referring to the "Bills of Exchange Purchased Register."

The same may be said of overdrawn accounts, the deposit ledgers clearly show the balance of each account from day to-day, and the Directors had only to refer to the ledger keeper, or to the book itself, to discover the exact state of each customer's balance. Having thus made a general statement on these points, based on an examination of the books of the Bank, we shall now give in detail a full and clear account of the manner in which the

#### *Discount of Bills*

was carried on, and the knowledge which the Directors could not fail to possess of the liability of each person doing business with the Bank.

The details of the discount operations of the Bank would be very tedious. We therefore do not publish the lists, by which the knowledge of the Directors of every bill discounted is unquestionably established. Those lists are, however, at the service of the Shareholders, and can be examined at leisure.

On each Board day, and the Directors almost invariably *met twice a week*, a minute was passed confirming the minutes of the previous day, and *approving of all bills discounted since the previous Board day*; the amount being stated at every meeting, as will be seen from the list which we have taken from the minutes, said minutes being signed by the President.

In addition to this, a book was laid before the Board, containing a list of persons to whom discounts had been granted, with the

amount so discounted, and this book was also signed by the President ; and, in his own handwriting, he entered the names of the other Directors present after his own signature.

We have carefully compared these lists with the minutes, and have found them perfectly correct and to correspond exactly in all cases, except in a few instances which we have noticed, explaining the cause of the slight mistakes.

These trifling differences are, however, of no consequence whatever, and are mentioned merely that nothing should be passed over or be taken for granted.

These lists fill eight long pages, we therefore give the following summary of them :

At 4 meetings, the Minute Book was omitted to be signed.

" 299	do	do	do	signed by Sir F. Hincks, Pt.
" 27	do	do	do	R. J. Reekie, V. Pt.
" 2	do	do	do	John Grant.
" 18	do	do	do	John Rankin, Pt.

350 meetings altogether.

At which bills were passed amounting to nearly twenty millions of dollars (\$20,000,000). Such facts prove that the President and the Directors undoubtedly had the means of knowing, from week to week, and month to month, that large amounts of discounts were granted to many of the weak customers of the Bank. But, if further proof be desired, we can point to the following statement compiled from the " Bills Presented for Discount Book " (which, as already stated, was regularly laid before the Board) to show the names and amounts granted to a few firms and persons whose names are unfortunately too well known from their connection with the Bank, and the heavy losses sustained by the Shareholders in consequence thereof.

In giving these names and amounts of discounts we do not wish to reflect in any way whatever on the parties receiving the accommodation, but it is for the Shareholders to consider whether or not the President and Directors were justified in granting such enormous discounts.

It must be remembered, too, that these discounts were in addition to heavy overdrawn amounts, to which we shall presently allude and discuss.

*Discounts to the following Customers from 10th May, 1876, to 31st December, 1879, exclusive of Overdrawn Accounts and Sterling Bills of Exchange purchased.*

Ascher & Co.	\$1,172,000
H. Beattie & Co.	1,177,000
Cushing & Co., C. Cushing and L. Cushing & Son	605,000
Davidson Bros. & Co.	287,000
S. Davis & Co. in liq.	230,000
B. Furniss & Co.	160,000
Fish, Shepherd & Co.	781,000
W. Head	748,000
M. Kortosk & Co.	844,000
Mulholland & Baker	961,000
T. F. O'Brien	72,000
W. H. Riley	294,000
	<hr/>
	\$7,331,000

The loss to the Bank, resulting from these twelve accounts, has been *one million five hundred thousand seven hundred and sixteen dollars* (\$1,500,716).

While on the subject of losses we may refer to the following minute of the Board, by which, or through previous entanglements, the Bank lost a very large sum of money.

28th March, 1878.

PRESENT :

SIR FRANCIS HINCKS, *President*.  
R. J. REEKIE, *Vice-President*.  
JOHN GRANT.  
W. W. OGILVIE.

HUGH MACKAY.  
JOHN RANKIN.  
And the GENERAL MANAGER.

"Whereas Robert James Reekie has, at the request of the Bank, and upon its promise of indemnity, become one of the Syndicate mentioned in the projectors of the Credit Valley Railway Company, and as such has become liable for £20,000 stg., which liability he has incurred as aforesaid for the purpose of enhancing the value of the Bonds of the said Company held by the Bank : It is hereby resolved that the Bank will hold harmless and keep indemnified the said R. J. Reekie from all loss or damage which may be sustained by him in consequence of his having become one of the said Syndicate, and of his having assumed the liability aforesaid, and the President and General Manager are hereby authorized and required to execute under seal of the Bank, and deliver to Mr. Reekie, any writing which may be required to carry this resolution into effect as between him and the Bank.

(Signed;) F. HINCKS, *President*."

The amount of loss written off, and included in the amount of bad debts at Toronto, In re "Credit Valley Railway Co.," was \$106,451 83, in addition to which there is a further sum of \$17,480 47 in name of George Laidlaw, who we understood was, and is, the President of the Company. We find that in list of overdrawn accounts at 28th May, 1880, "The Credit Valley Railway Syndicate

account" stands at \$63,592 02. It surely becomes the duty of the Liquidators of the Bank to look into matters of this kind, and endeavor to recover a portion, at all events, of such vast losses, either from the Railway Company, or from its President on private account; and we cannot avoid remarking, that we consider it extremely doubtful whether or not the Directors were authorized to name one of their number as a member of such a Syndicate. It seems to us beyond their power, and that in doing so they have incurred a personal liability for all losses which have been sustained in consequence of their illegal act.

We must again refer to Sir Francis Hincks' famous minute of the 7th July, 1879, in which he expresses astonishment at the "*overdrawn accounts*." We quote his own words:

"I found to my amazement that the overdrawn accounts in Montreal amounted to no less than \$615,702 44, and I required a statement of these accounts, which when obtained made it clear to my mind that there had been systematic concealment of most important transactions from the Board of Directors."

We can only ask the Shareholders to contrast this *opinion* of Sir Francis Hincks with the reality, as proved by the books.

We carefully examined the *Deposit Ledgers*, as we have already stated, and found that they have been kept with perfect exactness, every overdraft being entered, and the books regularly posted and written up daily. They were open to the Directors at all times, as they have been to us, and would at any moment, *on examination*, have shown the exact condition of the customers' accounts.

In proof of this, we made a tabular statement, which we think unnecessary to publish, but which can be seen by any of the Shareholders, of eleven of the most celebrated overdrawn accounts of the Bank taken as to date almost at random, that is, we fixed on dates running through the years 1876, 1877, 1878 and 1879 for the first account examined, and then took down the balances of all the other ten accounts on the same days throughout that period, thus preventing the possibility of any inflated statement.

These accounts were Ascher & Co., H. Beattie & Co., George Cowper, Davidson Bros. & Co., S. Davis & Co. in liq., B. Furniss & Co., Fish, Shepherd & Co., R. Forsyth, W. Head, T. F. O'Brien, W. H. Riley.

And the average amount overdrawn was during

1876.....	\$150,059	1878.....	\$522,585
1877.....	238,766	1879.....	493,042

In addition to these accounts, which are sufficient, however, for our purpose, there were many others overdrawn for considerable

sums, which, if given, would have added considerably to the balance.

From this statement of

#### OVERDRAWN ACCOUNTS

it will be perceived that the system of heavy overdrafts was the normal condition of the Bank, and should have created no "*amazement*" in the mind of Sir Francis Hincks, as it must have been in operation previous to amalgamation, and doubtless must have been known to himself and the Directors when arranging the terms of union between the City Bank of Montreal and Royal Canadian Bank of Toronto.

Besides which the Directors had weekly or monthly returns from the Branches before them, with a printed form for "*Deposit Accounts Overdrawn*," giving date, name, amount, and a column for "remarks," with this heading, ("*State what Security held*").

They must therefore have been aware that if such overdrafts were common at the Branches, they must also have existed at the Head Office in Montreal, where the business was as heavy, probably, as that of all the Branches together.

Be this as at may, there is evidence sufficient that during 1876, 1877, 1878 and 1879 very large advances were made and permitted on overdrawn accounts, and that no concealment was even attempted, but the books at Montreal, and returns from the Branches, were open at all times to the examination and inspection of the President and the Directors.

We may now refer to the "systematic"

#### BORROWING FROM OTHER BANKS.

We noticed that very large balances were left with the Bank on deposit, in current accounts, at interest of from 5 to 6 per cent. per annum, averaging several hundred thousand dollars. Even this vicious practice of giving very high rates for deposits may be overlooked, but there can be no excuse for the course adopted by the Directors, of borrowing at ruinous rates from the other Banks, and placing the amounts so borrowed among the ordinary deposits of the Bank, thus grossly deceiving the Shareholders and the public as to the real condition of the Bank.

Another exceedingly objectionable practice was purchasing sterling bills from other Banks, and re-selling the amounts in the Montreal market at a loss, clearly proving that the Consolidated Bank was in difficulty early in 1877, and that the Directors were not justified in declaring and paying a dividend of  $3\frac{1}{2}$  per cent. on 1st December, 1877.

The following statement, giving particulars of Money Borrowed from other Banks, and entered as deposits, will no doubt occasion considerable surprise, when the amount is known to have exceeded four millions of dollars during the space of about two years.

Date.	No. of Receipts.	Name of Bank lending.	Rate of interest and how payable.	Amount.
1877.				
Ap. 27	53	Bank of Montreal.	5 p. c. on 30 days' notice.	100,000
May 22	54	Canadian Bank of Comm., £10,000 stg.	4½ p. c. 3 months' notice.	48,722
		Bought at 9 ¾ and sold at 9-16 cts.	loss 1-16 p. c.	
June 8	60	Canadian Bk. of Comm., } 715,000 stg.	4½ p. c. 3 months' notice.	36,541
" 8	61	Do	4½ p. c. 4 " "	36,541
		Bought at 9½ and sold at 9¾ p. c.	loss 1-4 p. c.	
Ag. 14	71	Canadian Bank of Comm., £10,000 stg.	4½ p. c. 3 months' notice.	48,222
		Bought at 8 9-16.		
" 29	72	Canadian Bank of Comm., £10,000 stg.	4½ p. c. 3 months' notice.	48,111
		Bought at 8¼ and sold at 8 7-32.	loss 1-32.	
Spt. 25	80	Canadian Bank of Comm., £10,000 stg.	4½ p. c. 3 months' notice.	48,222
		Bought at 8½, sold at 8 1-4.	loss 1-4 p. c.	
Oct. 30	89	Bank of Montreal.	6 p. c. at call.	100,000
N.v. 29	93	R. ct J. Moat.	6 p. c. " "	25,000
1878.				
Jan. 2	105	Do	5 p. c. " "	50,000
" 4	107	Do to order Quebec Bank.	6 p. c. 3 months' notice.	50,000
Ap. 13	137	The Stadacona Bank.	5 p. c. 10 days' notice.	50,000
" 17	139	Do do	5½ p. c. 30 days' notice.	50,000
" 25	141	Canadian Bk of Comm., £10,000 stg.	9½ p. c. and ½ commission.	48,597
" 30	144	Bank of British North America.	5 p. c. 3 months et 15 days' notice.	100,000
May 29	150	The Stadacona Bank.	5½ p. c. 30 days' notice.	100,000
June 1	152	R. ct J. Moat, to order Quebec Bank.	6 p. c. at call.	50,000
" 1	153	Do	5 p. c. " "	50,000
" 14	169	Bank of B. N. America, £37,600 stg.	6 p. c. 6 months.	182,360
		9 1-8 p. c.	security for this loan.	
" 24	173	City of Toronto Bonds deposit as	9 3-8 and ½ p. c. commission.	48,597
Ag. 13	184	Canadian Bank Comm., £10,000 stg.	5 p. c. 3 months.	48,444
		Bought at 9 p. c., sold at 8½.	loss 1-8 p. c.	
" 14	185	Bank of B. N. America.	5 p. c. 3 months, 15 days' notice.	100,000
" 24	189	Canadian Bank of Comm., £10,000 stg.	9 3-8 and ½ p. c. commission.	48,597
Spt. 23	210	Bank of B. N. America.	5½ p. c. to remain 60 days.	50,000
" 24	212	R. ct J. Moat.	6 p. c. at call.	25,000
" 24	213	Do to order of Quebec Bank.	6 p. c. " "	25,000
Oct. 9	224	Do	6 p. c. " "	25,000
" 9	225	Do	6 p. c., 7 p. c. from 24 Dec.	25,000
" 19	232	Do to order East. Town. Bk.	7 p. c. payable 1st March, 1879.	50,000
" 24	234	Canadian Bk. of Comm. } £10,000 stg.	6 p. c. 3 months.	24,083
" 24	235	Do	8 p. c. 4 months.	24,083
		Bought at 8½ p. c., sold at 8½ to 8¼.	loss 1-4 to 1-8 p. c.	
Nv. 1	248	Canadian Bank of Commerce.	6 p. c. 3 months.	48,466
" 14	250	Bank of Montreal, £20,000 stg.	8 5-32 and ¾ comm., 57 days.	96,138
" 15	250	R. ct J. Moat.	6 p. c. at call.	25,000
Dec. 2	262	The Stadacona Bank.	5½ p. c. 30 days' notice.	25,000
" 2	263	Do	5½ p. c. " "	25,000
" 2	264	Do	5½ p. c. " "	25,000
" 18		Bank of B. N. America £37,600 stg.	6 p. c. interest 5 June to 17 Dec.	182,360
		9 1-8 p. c.	5 p. c. 3 days' notice.	25,000
" 19	270	R. ct J. Moat to order Quebec Bank.	5 p. c., 6 p. c. et 7 p. c. 3 day's no.	5,000
" 19	271	Do	7 p. c.	200,000
" 28	273	Bank of B. N. America.	7 p. c.	200,000
" 30	274	Do	7 p. c.	200,000
1879.				
Jan. 10	281	Bank of Montreal.	7 p. c. payable 25 April, 1879.	98,287
" 11	282	R. ct J. Moat.	7 p. c. 3 day's notice.	10,000
" 11	283	Do	7 p. c. " "	15,000
" 22	286	Bk. of Mon., £25,000 stg., 10 p. c. et ¾	p. c. com. 7 p. c. payable 25 Ap., '79	123,138
" 28	288	Do	7 p. c. 28 " "	50,000
" 31		Do	7 p. c. interest, \$1,764.40	200,000
Feb. 18	293	Do	7 p. c. payable 28 April, 1879.	25,000
" 21	295	Do	7 p. c. " "	50,000
" 25	296	Do	7 p. c. " "	50,000
" 28	299	Do	7 p. c. " "	125,000
" 28	300	R. ct J. Moat to order East. Township.	7 p. c. " 1 June "	50,000
" 28	301	Bank of Montreal.	7 p. c. " 28 April "	100,000
" 28	302	Do	7 p. c. " 28 " "	25,000
May 1	313	Do	7 p. c. 3 months, 15 days' notice.	100,000
" 1	314	Do	7 p. c. " "	470,000
" 20	319	Do	7 p. c. demand.	78,080
Total.				4,142,595

We presume that the deposits in favor of Messrs. R. & J. Moat, amounting to \$505,000, were loans procured by that firm from Banks, as several of the receipts in their favor have been endorsed over to the Quebec and Eastern Townships Banks, and no doubt a commission, to which they were of course entitled, was paid by the Consolidated Bank to that firm, which would add greatly to the percentage at which the money was borrowed.

The last sum borrowed \$78,080.17, we were informed was for the "Workman Syndicate." We shall have something to say regarding this loan, when we come to dissect that Syndicate account, and others of a similar character.

Before entering upon an explanation of the

#### "SYNDICATE ACCOUNTS,"

We may give copies of letters referring thereto, and statements taken from the Stock Ledger, of the *shares held and transferred by several of the parties interested in those accounts.*

Those so-called Syndicate Accounts are very intricate, and it required no little time and a great amount of labor to unravel them. We feel satisfied that it would be impossible for the Shareholders to understand the accounts unless they have every item placed before them.

We shall therefore go most minutely into this matter, and give exact copies of the various entries from the books of the Bank. The frequent transfers from the "Deposit Ledger" to the "General Ledger," from "Reekie Trustee" to "R. J. Reekie," "Rankin in Trust" to "Reekie," "Workman" to "Reekie in Trust," and "Rankin in Trust," "Grant" to "Reekie in Trust," "Reekie Special" and "Rankin Special," "Syndicate Workman, &c." to "Syndicate Joseph, Workman, et al.," are so confusing and perplexing, that, as we have said, these accounts were extremely difficult to understand; and must therefore be given in detail, after which we shall endeavor to place before the Shareholders a clear and succinct account of this very painful affair, and our opinion of the position in which the various parties interested are placed regarding transactions which appear to be of an extremely doubtful character.

#### LETTERS.

MONTREAL, 21st November, 1878.

MESSRS. R. & J. MOAT,  
CITY.

DEAR SIRS,—We hereby request you to purchase for us Consolidated Bank stock to the amount set opposite to our names respectively, and to borrow the money



requisite to pay for such stock on the best terms you can obtain ; such terms and other conditions to be arranged by you on our behalf, we becoming responsible for such loan, and for our proportion of any less amount of stock than the aggregate hereby subscribed for. And we further agree to keep up a margin of ten per cent. upon the purchases made, and to sanction any sale made by you in your discretion.

Very truly yours,

(Signed,) R. JAS. REEKIE,  
JOHN RANKIN,  
JOHN GRANT.

MONTREAL, 24th January, 1879.

MESSRS. R. & J. MOAT,  
CITY.

DEAR SIRs,—We hereby request you to purchase for us Consolidated Bank stock to the amount set opposite our names respectively, and to borrow the money requisite to pay for such stock on the best terms you can obtain ; such terms and other conditions to be arranged by you on our behalf, we becoming responsible for such loan, and for our proportion of any less amount of stock than the aggregate hereby subscribed for. And we further agree to keep up a margin of ten per cent. upon the purchases made, and to sanction any sale made by you in your discretion.

Very truly yours,

(Signed,) R. J. REEKIE ..... Three hundred ..... 300 shares.  
JOHN RANKIN ..... Three hundred ..... 300 shares.  
H. & A. SAUNDERS ..... Three hundred ..... 300 shares.  
SAMUEL H. MOSS ..... Two hundred ..... 200 shares.  
THOMAS WORKMAN ..... One hundred ..... 100 shares.  
J. H. JOSEPH ..... Three hundred ..... 300 shares.  
JAS. O'BRIEN ..... Two hundred ..... 200 shares.  
F. MACCULLOCH ..... One hundred and fifty ..... 150 shares

MONTREAL, 6th March, 1879.

MESSRS. R. & J. MOAT,  
CITY.

DEAR SIRs,—We hereby request you to purchase for us Consolidated Bank stock to the amount set opposite our names respectively, and to borrow the money requisite to pay for such stock on the best terms you can obtain ; such terms and other conditions to be arranged by you on our behalf, we becoming responsible for such loan, and for our proportion of any less amount of stock than the aggregate hereby subscribed for. And we further agree to keep up a margin of ten per cent. upon the purchases made, and to sanction any sale made by you in your discretion.

Very truly yours,

Two hundred shares.....(Signed,) JOHN RANKIN.  
Two hundred shares ..... R. JAS. REEKIE.  
Two hundred shares ..... A. SAUNDERS.

The following memorandum in pencil is written below :

"Will you (Directors) sign the above, and shall call for it this afternoon.  
A. S.

*Extracts from "Stock Ledger."*

HUGH MACKAY held 9th May, 1876,				300 shares.
Bought	18th January, 1877,	200	"	
"	30th " "	120	"	
"	28th February, "	28	"	
"	1st March, "	2	"	
				— 650 shares.
Sold	2nd February, "	50	"	to Jno. Rankin, in Trust.
"	21st " "	350	"	to Thos. McDougall.
"	29th January, 1878,	100	"	"
"	11th February, "	100	"	"
				— 600 shares.
Leaving in his name.....				50 shares.
JOHN GRANT held 9th May, 1876,				50 shares.
Bought	9th " 1879,	80	"	
"	31st July, "	20	"	
				— 150 shares.
Sold	31st " "	20	"	to R. J. Reekie, in Trust.
"	3rd Dec., "	130	"	to A. Campbell, Acting General Manager.
Account closed.				— 150
R. J. REEKIE held 7th November, 1878,				380 shares
Bought	5th June, 1880,	201	"	
"	7th " "	330	"	
				— 911 shares,
which he still holds.				
R. J. REEKIE, <i>in Trust</i> , Montreal.				
1878—20th December, No. 2294—held 601 shares from R. & J. Moat.				
1880—31st May, transferred 50 shares to John Rankin.				
"	"	501	"	to A. Campbell, Acting Gen. Manager, in Trust.
"	7th June, "	50	"	to R. J. Reekie.
				— 601
Thus closing the account.				
JOHN RANKIN held 5th November, 1878,				150 shares.
Bought	in May, 1879,	363	"	
"	" July, "	70	"	
"	" August, "	508	"	
"	" September, "	582	"	
"	" October, "	705	"	
"	" 31st May, 1880,	50	"	
				— 2,428 shares.
1879—18th September, transferred 50 shares to James Croil.				
"	27th October, "	396	"	to James Rankin.
1880—	5th June, "	181	"	to R. J. Reekie.
				— 627 shares.
Leaving in his name.....				1,801 shares.
JOHN RANKIN, <i>in Trust</i> , held 11th July, 1879, 300 shares, transferred by Thomas Workman, still held by him in trust.				

R. J. REEKIE, *in Trust*, No. 3, held 11th July, 1879, 300 shares, transferred by Thomas Workman.

1879—31st July, transferred 20 shares to Sir F. Hincks.

1880—7th June, “ 280 “ to R. J. Reekie.

— 300 shares.

Thus closing the account.

R. J. REEKIE, *in Trust*, No. 2, held 3rd May, 1879, 140 shares, transferred by G. W. Simpson.

1880—31st May, transferred 140 shares to A. Campbell, Acting General Manager, in Trust.

THOMAS WORKMAN held 30th January, 1879, 211 shares.

Bought February, “ 789 “

— 1,000 shares.

1879—10 July, transferred 50 shares to Henry Archbald.

“ 11 “ “ 300 “ “ R. J. Reekie, in Trust.

“ “ “ “ 300 “ “ Jno. Rankin, in Trust.

“ “ “ “ 100 “ “ Saml. E. Moss.

“ “ “ “ 200 “ “ James O'Brien.

— 950 shares.

Leaving in his name..... 50 “

G. W. SIMPSON held 11th March, 1879, 140 shares.

1879—3rd May, transferred 140 shares to R. J. Reekie.

Thus closing the account.

# SYNDICATE ACCOUNTS.

No. 1—Sir F. Hincks, R. J. Reekie, et al. *Deposit Ledger Folio 533. A to L, from 1st October, 1878.*

	Dr.	Cr.	Balance.
1878. Dec. 10.....	\$ 5,000 00		Dr. \$ 5,000 00
“ “ 19.....	6,000 00		“ 11,000 00
“ “ 19.....	30,000 00		“ 41,000 00
1879. Jan. 29.....		490 04	“ 40,509 96
“ “ 29.....	19,380 50		“ 59,890 46
“ “ 31.....	289 50		“ 60,179 96
“ “ 31.....	10,048 75		“ 70,228 71
“ “ 31 Transferred to debit of Joseph Syndicate		29,718 25	“ 40,510 46
1879. February 3.....		50	“ 40,509 96
“ April 22/23. In Journal, page 534, and debited to Hincks et al., in General Ledger ..		40,509 96	“
	<u>\$70,718 75</u>	<u>\$70,718 75</u>	

No. 2—*R. J. Reekie, special No. 2, Deposit Ledger, folio 337, M to Z, from 1st December, 1877.*

	Dr.	Cr.	Balance.
1878. October 30.....	\$ 3,581 25		Dr. \$ 3,581 25
" November 7.....	2,277 21		" 5,858 46
1879. " 26.....	436 92		" 6,295 38
1880. April 13 .....		130 09	" 6,165 29
" May 10, written off.....		6,165 29	
	<u>\$6,295 38</u>	<u>\$6,295 38</u>	

No. 3—*John Rankin, special. Deposit Ledger, folio 337, M to Z, from 1st December, 1877.*

	Dr.	Cr.	Balance.
1878. November 1st.....	\$3,590 50		Dr. \$ 3,590 50
1879. December 5.....		\$ 150 00	" 3,440 50
" May 3.....	2,000 00		" 5,440 50
" " 20.....	800 00		" 6,240 50
" November 26.....	362 74		" 6,603 24
1880. April 13 .....		27 00	" 6,576 24
" May 10, written off.....		6,576 24	
	<u>\$6,753 24</u>	<u>\$6,753 24</u>	

No. 4—*G.W. Simpson. Deposit Ledger,*

I to Z, from 1st February, 1879.	\$10,375 00	Dr. \$ 10,375 00
Transferred by Journal entry, folio 604, to General Ledger to debit of Syndicate Hincks <i>et al.</i> , 140 shares transferred to R. J. Reekie,		
3 May, 1879.....	10,375 00	

No. 5—*SYNDICATE—Deposit Ledger, folio 671, I to Z, from 1 February, 1879.*

	Dr.	Cr.	Balance.
1879. February 3, to transferred from Hincks & Reekie account.	\$29,718 75		Dr. \$29,718 75
1879. February 5.....	6,331 50		" 36,050 25
" " 6.....	1,281 25		" 37,331 50
" " 8.....	3,179 50		" 40,511 00
" " 8.....	3,768 75		" 44,279 75
" " 17.....	1,194 00		" 45,473 75
" " 18.....	2,475 00		" 47,948 75
" " 21.....	18,669 25		" 66,618 00
" " 24.....	11,032 00		" 77,650 00
" March 1.....	4,280 75		" 81,930 75
" " 4.....	5,319 25		" 87,250 00
" " 5.....	1,623 50		" 88,873 50
" " 8.....	1,937 25		" 90,810 75
" " 15.....	189 00		" 90,999 75
" " 15.....		189 00	" 90,810 75
" " 21.....	189 00		" 90,999 75
" April 22, by balance transferred to General Ledger, folio 638.....		90,999 75	

\$91,188 75 \$91,188 75

No. 6—SYNDICATE (No. 2). In terms of letter in the hands of the General Manager.  
General Ledger, page 638 (from 1st July, 1878, on folio 1).

1879. April 22. To Balance transferred from Deposit Ledger (folio 671),  
see particulars Account Current Book, pages 259, 260, and 261.

Workman... 1000 shares

Joseph... 400 "

Saunders... 415 "

Moss..... 35 "

1850.....

	Dr.	Cr.	Balance.
	\$90,999 75		Dr. \$90,999 75
Moat..... 61	2,537 00		" 93,536 75
1879. April 25— 10.....		477 50	" 93,059 25
" May 2— 109.....	4,986 75		
" " 2— 35.....	1,575 00		
" " 2— 12.....	545 75		" 100,166 75
" " 2— 80.....	3,540 00		" 103,706 75
" " 6— 63.....	2,787 75		
" " 6— 3.....	132 75		" 106,627 25
" " 10 Interest.....	542 41		" 107,169 66
" " 10— 10.....	430 00		
" " 10— .....	2 50		" 107,602 16
" " 20 Interest 6 p. c....	149 59		" 107,751 75
" " 20 Transferred by Journal entry to General Ledger, folio 636 to Debit of Syndicate Joseph, Workman, et al., No. 1.		91,691 75	" 16,060 00
1879. August 27. Transferred to Reekie Syndicate, by Journal entry to folio 637—see below...		16,060 00	

\$108,229 25 \$108,229 25

No. 7—SYNDICATE (No. 1). General Ledger, page 636 (from 1 July, 1878).

	Dr.	Cr.	Balance.
1879. May 20. To Journal entry, transfer from Syndicate Work- man, Joseph, Saunders, etc....	\$91,691 75		Dr. \$91,691 75
1879. May 21. By Joseph... 300		\$14,868 93	
" " 21. By Macculloch. 150		7,434 46	" 69,388 36
" July 17. By Workman... 100		4,997 04	" 64,391 32
" " 21. By Saunders .. 300		14,991 14	" 49,400 18
" August 27. By Reekie Syn- dicate.....		49,400 18	
	<u>\$91,691 75</u>	<u>\$91,691 75</u>	

No. 8—SYNDICATE, REEKIE *et al.* General Ledger, page 637 (from 1 July, 1878).  
In terms of letter in hands of the General Manager.

	Dr.	Cr.	Balance.
1879. April 22/23 To Balance			
transferred from Deposit Ledger,			
see particulars Account Current			
Book, page 257. 601 shares in			
the name of R. J. Reekie.....	\$40,509 96		Dr. \$40,509 96
1879. May 10. To Interest 7 p. c.	990 89		" 41,500 85
" " 14.—140. Journal 604.	10,375 00		" 51,875 85
" July 23. By Rankin.....		19,276 74	" 32,599 11
" " 26. By Reekie.....		19,288 25	" 13,310 86
" August 27. To transferred			
from Syndicate Joseph, Work-			
man <i>et al.</i> .....	49,400 18		
1879. August 27. To transferred			
from Syndicate No. 2, Joseph,			
Saunders, Moss, &c.....	16,060 00		" 78,771 04
1879. August 27. By O'Brien....		9,994 10	
" " 27. By Rankin....		15,013 59	
" " 27. By Reekie.....		14,971 68	
" " 27. By Moss.....		9,978 14	" 28,313 53
" Nov. 20. By Ogilvie.....		1,747 74	" 27,065 79
" " 20. 363 shares interest			
to 9 July, 1879.....	256 64		
1879. Nov. 20. 1,400 shares, in-			
terest to 9 July, 1879.....	570 30		
1879. Nov. 20. 601 shares, in-			
terest to 9 July, 1879.....	477 55		
1879. Nov. 20. 140 shares, interest			
to 9 July, 1879.....	111 44		" 28,481 72
1880. April 13. W. off J. B. Renny		10,444 60	
" " 13. John Grant.....		7,664 60	"
" " 13. John Grant.....		1,747 74	
" " 13. Hugh Mackay...		1,747 74	" 6,877 04
" May 10. Written off.....		6,877 04	
	<u>\$118,751 96</u>	<u>\$118,751 96</u>	

For the sake of reference, we have numbered these "Syndicate Accounts" from 1 to 8.

It will be observed that \$29,718.25 is *credited* in No. 1, "Hincks, &c.," and *debited* to No. 5, "Joseph Syndicate." That \$40,509.96 is *credited* No. 1, "Hincks, &c.," and *debited* to No. 8, "Syndicate Reekie." That \$10,375 is *credited* No. 4, "G.W. Simpson," and *debited* to No. 8, "Syndicate Reekie *et al.*" That \$90,999.75 is *credited* to No. 5, "Joseph Syndicate," and *debited* to No. 6, Syn-

dicating No. 2, "Joseph, &c." That \$91,691.75 is credited No. 6, Syndicate No. 2, "Joseph, Saunders, &c.," and debited to No. 7, "Syndicate Joseph, Workman *et al.*" That \$49,400.18 is credited No. 7, "Syndicate Joseph, Workman *et al.*," and debited No. 8, "Syndicate Reekie *et al.*"

What is the meaning, it may be asked, of all these entries? Only one answer can be given — *to bamboozle*. All these Syndicate accounts are taken from the books of the Bank, and in the same form in which they appear in the books of the Bank. *They were all, without an exception*, carried on with the money of the Bank, and at a loss to the Shareholders, which these accounts do not fully show, but which it will be our duty to explain and expose. The following entries of these *losses* are found in the books of the Bank charged to Loss as Bad Debts, &c.

## LIST OF SUMS MISAPPROPRIATED.

In *General Ledger*, folio 637 :

1880. April 13th, J. B. Renny.....	\$10,444 60	
“ “ “ John Grant.....	7,664 60	
“ “ “ John Grant.....	1,747 74	
“ “ “ Hugh Mackay.....	1,747 74	
“ May 10th, written off.....	6,877 04	
		<hr/> \$28,481 72

In *Deposit Ledger*, folio 337, M to Z, from 1st December, 1877 :

R. J. REEKIE, Special No. 2.

1880. May 10th, written off.....	\$6,165 29	
----------------------------------	------------	--

JOHN RANKIN, Special.

1880. May 10th, written off.....	6,576 24	12,741 53
----------------------------------	----------	-----------

By Journal entry, page 411, to Bad and Doubtful Debts :

1880. May 10th, John Rankin.....	6,000	
“ “ “ R. J. Reekie.....	6,000	
		<hr/> 12,000

By Journal entry, page 769, in *General Ledger* to suspense account :

1879. December 3rd, Grant.....	2,000	
“ “ “ “.....	6,000	
		<hr/> 8,000

John Grant, special account in "Deposit Ledger" :

1880. January 9th....	3,868 54	
Total loss to the Shareholders.....		<hr/> \$65,091 79

Your Committee would direct the special attention of the Shareholders to the dates of which the closing entries of these Syndicate accounts were made, and by whom the entries were authorized.

It will be observed that in *No. 5*, "Joseph Syndicate," the balance of \$90,999.75 is transferred to *No. 6*, "Syndicate *No. 2*, Joseph, Saunders, Moss, also John Moat," and that that account *No. 6* goes on increasing until the total sum advanced by the Bank amounts to \$107,751.75, when \$91,691.75 of that sum is transferred to *No. 7*, "Syndicate Joseph, Workman, *et al.*," and \$16,060 is also transferred to *No. 8*, "Syndicate Reekie *et al.*," while only \$42,291.57 appears to have been paid in cash by Messrs. Joseph, Macculloch, Workman and Saunders, and afterwards credited in *No. 8*. \$21,719.98 paid by Messrs. O'Brien, Moss and Ogilvie, together \$64,011.55, leaving a further sum of \$49,400.18 carried to debit of *No. 8*, "Syndicate Reekie *et al.*"

It appears only fair therefore that the balance of \$43,740.20 should be made good by members of Syndicates *Nos. 5, 6 and 7* on page 29.

The question of liability between themselves is a different matter, with which we have nothing to do, but to the Consolidated Bank, by whom the money was advanced, they are in our opinion justly bound in terms of their letter to R. & J. Moat, in which they distinctly say :

"And to borrow the money requisite to pay for such stock on "the best terms, and other conditions to be arranged by you on our behalf; *we becoming responsible for such loan.*"

In the statement of money borrowed from the Banks, it will be seen that the last amount, \$78,080.17, was from the Bank of Montreal, at 7 per cent. per annum, for, it is said, the use of the Workman Syndicate, against which account, however, only 6 per cent. per annum appears to have been charged.

Whatever doubt there may be regarding the liability on Syndicate account, there can be no question whatever as to the liability, jointly and severally, of each of the late Directors of the Bank for the large sum of \$65,091.79 which they have mis-appropriated.

It will be observed that though the names of three of the Directors, Messrs. Hincks, Ogilvie and Mackay, do not appear in the letters, they are mentioned in the accounts, and may therefore be supposed to have been aware of the transactions.

The 40th clause of the Banking Act reads :

'The Bank shall not, either directly or indirectly, lend money or "make advances upon the security, mortgage, or hypothecation of



"any lands or tenements, or of any ships or other vessels, *nor upon the security or pledge of any share or shares of the capital stock of the Bank.*"

Here we have a distinct statement showing the illegality of the trafficking in stock of the Bank by the Directors. It was *ultra vires* to do so for the Bank, they have therefore made themselves personally responsible for all loss of principal and interest incurred by this contravention of the law.

We have a still more powerful argument to use, in the recent judgment delivered by Judge Johnson in the Bank of Montreal case against the Directors of the City Passenger Railway Co., wherein the learned Judge implied, that though the advances had been made by the Manager of the Bank without the *knowledge or consent* of the Directors, that nevertheless, as it was contrary to law, they, the Directors, were liable to the Shareholders for the loss sustained.

We can also refer to a judgment of Mr. Justice Hawkins, delivered in England not long ago, in the case of Rosenberg for slander. He thus forcibly states the case of *knowing*, which is almost identical with the position occupied by a Bank President and Directors :

"The printers," he said, "were much to blame. They were "both men of respectability, and the high commercial esteem in "which their house was held had made Rosenberg's libels all the "more mischievous, and aggravated the crime. He did not believe "they knew the nature of what they printed, *but this they ought to "have known, and for this they were legally responsible.*" A parallel can be drawn between this case and that of Sir Francis Hincks and the Directors, *they ought to have known, and must therefore be held legally responsible.*

*Without knowledge*, the law will hold them liable ; how much stronger then the case, when they not only knew, but actually participated in the illegal operations.

Another serious charge against the President and Directors is the payment of dividends out of capital.

On 29 October, 1877, they declared a dividend of 3 1-2 per cent., \$121,315.18, payable on 1st December, 1877.

The estimate of net profits laid before the Board showed \$131,568

But as only 2-3ds of proportion of old losses (viz., \$34,370) was written off, leaving a still further sum to be provided for, this should be deducted, viz..... 11,457

Reducing the net profits to .....\$120,111

or \$1,204, under the mark. But there was a nominal surplus fund of \$232,000 also in hand.

We think it will not be difficult to prove, that at this time the Directors were aware that a very large sum of doubtful paper was held by the Bank, the loss on which would far exceed the amount of dividend declared, together with the apparent surplus fund, amounting together to \$353,315.

The same argument would hold good regarding the dividends declared 22nd April, 1878, of 3 per cent., \$104,020, and 24th October, 1878, of 3 per cent., \$104,145.

If the Shareholders succeed in proving the Directors liable for the dividend of 1st December, 1877, those of 1st June, 1878, and 2nd December, 1878, would be proved, as a matter of course.

On the last occasion, however, 24th October, 1878, the statement of profit and loss was worse than that submitted on the two previous occasions :

Balance of net profits was shown to be only.....	\$111,189 12
From which should have been deducted.....	22,765 31

As only one-half of old losses (\$45,465) were deducted, leaving only.....	\$88,423 81
Of net profits, while the dividend amounted to.....	104,048 55

Or, under the mark.....	\$15,624 74
-------------------------	-------------

Of course the same nominal surplus fund of.....\$232,000 00 still remained at the credit of that account.

The amount at this time, 1st December, 1878, of doubtful paper on hand and enormous overdrawn accounts must have been overwhelming, in addition to which the Bank was at same time heavily indebted to other Banks for loans to enable the Directors to keep the doors of the Bank open.

We considered it right that the Directors should have timely notice of our proceedings, and that they should not be taken by surprise. We accordingly, about a fortnight after we had commenced our examination of the books of the Bank, and after we had discovered sufficient proof of the dangerous position in which they stood, addressed to each of them the following letter, viz., to Sir Francis Hincks, Messrs. John Rankin, R. J. Reekie, W. W. Ogilvie, Hugh Mackay and John Grant; to which, however, no reply has been received:

MONTREAL, 7th July, 1880.

SIR,—We beg to enclose herewith copy of a resolution passed at the adjourned Annual Meeting of the Shareholders of the Consolidated Bank of Canada, held on 23rd ult., and beg respectfully to direct your attention to the same.

We are, sir,

Your obedient servants,

(Signed,) ROBERT CASSELS.  
A. B. STEWART.  
WILLIAM ALLAN.

We may here recapitulate the chief amounts for which we consider the late Directors are legally responsible :

Dividend paid 1st December, 1877.....	\$121,315 18
“ “ 1st June, 1878.....	104,020 60
“ “ 2nd December, 1878.....	104,145 30
Misappropriation of funds in stock speculations .....	65,091 79
	<hr/>
	\$394,572 87

In addition to these amounts we consider that the late Directors are liable to the Bank for a very large amount for losses caused by their gross mismanagement of the affairs of the Bank. It is not of course possible for us to state the sum which such liability may amount to, but our investigations furnish abundant proof of the validity of such a claim.

We may add that we have been informed by some of the officers of the Bank, that no inspection of the affairs of the Bank at Montreal, since the amalgamation of the two Banks in May, 1876, ever took place.

We have thus performed our task, a very laborious one, and have placed before you in plain language a truthful statement of the affairs of the Consolidated Bank of Canada, from 10th May, 1876, up to the present time ; and we have endeavored to do so in a business-like manner, without prejudice, free from all feeling or the least taint of malice.

It is a painful record of neglect, incapacity and reckless daring by which upwards of

*Three Millions of Dollars*

have been lost to the unfortunate Shareholders, many of them widows and orphans.

Their wrongs should stimulate the Shareholders to adopt such measures as will enable the Liquidators of the Bank to recover a portion at least of the money so recklessly squandered and illegally used, as will to some extent modify the sufferings and losses those unfortunate persons will otherwise have to endure.

All most respectfully submitted.

ROBERT CASSELS.

A. B. STEWART.

WILLIAM ALLAN.

MONTREAL, 16th August, 1880.

ch  
r-  
d,  
ut-

